



HOUSE COMMITTEE ON APPROPRIATIONS

FY 12-13

Executive Budget Review

**Louisiana Department of
Natural Resources**



The Louisiana Department of Natural Resources has four budget units:

11-431 – Office of the Secretary

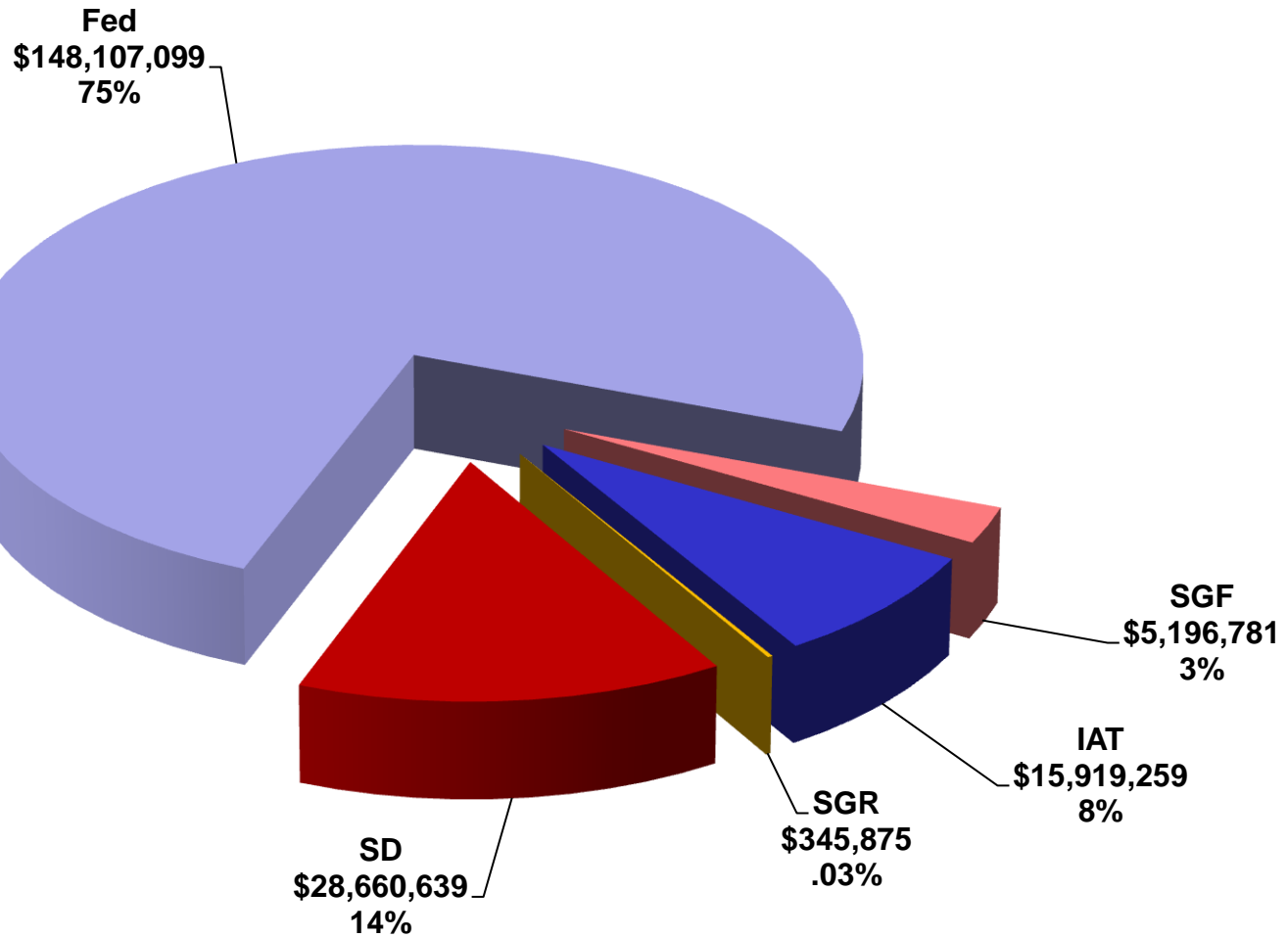
11-432 – Office of Conservation

11-434 – Office of Mineral Resources

11-435 – Office of Coastal Management



DEPARTMENT OF NATURAL RESOURCES FY 12-13 TOTAL MOF \$198.2 MILLION



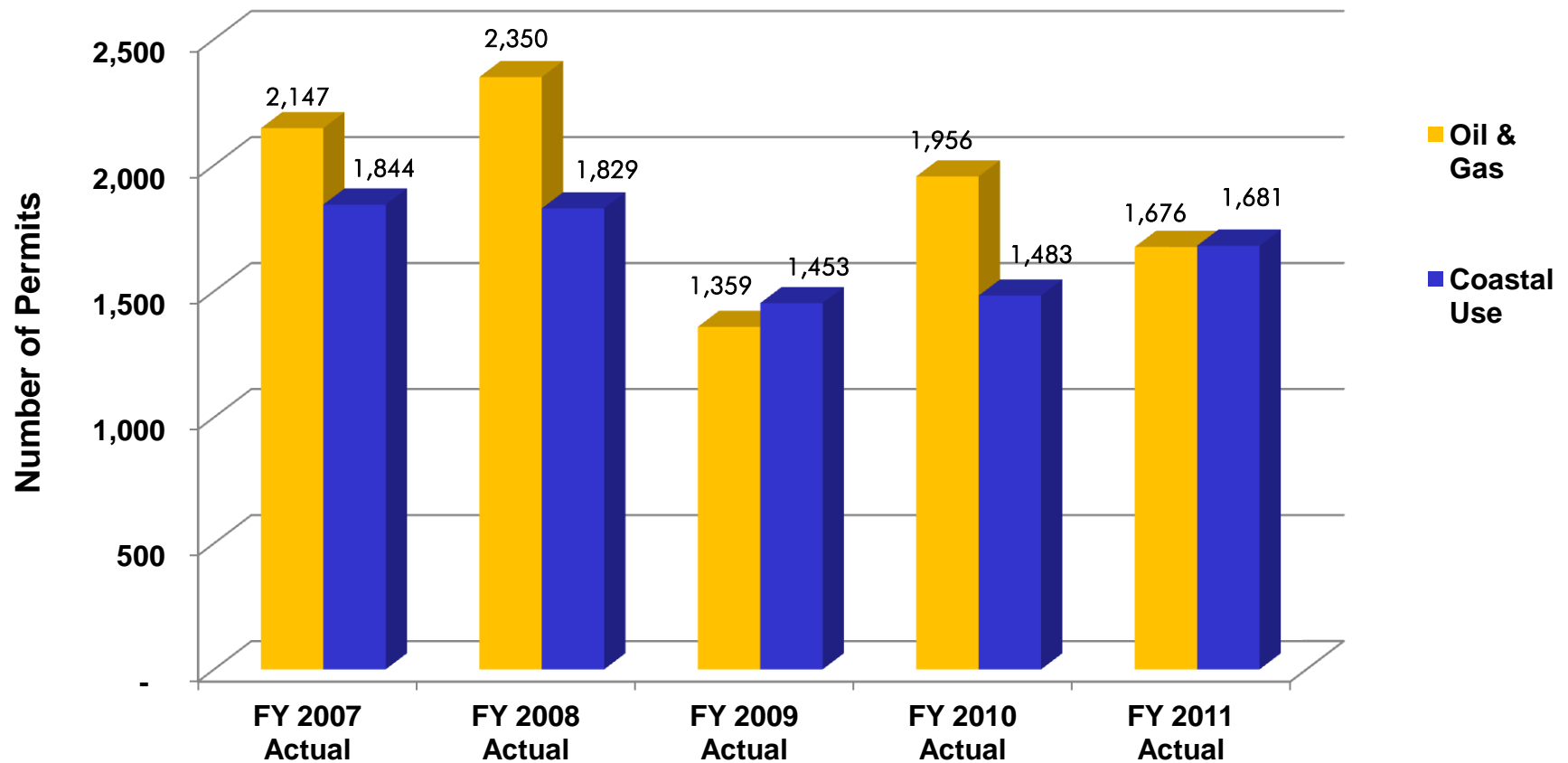


Executive Budget by Means of Finance

LOUISIANA DEPARTMENT OF NATURAL RESOURCES					
Means of Financing (MOF)	Actual Expenditures FY 2010-11	Existing Operating Budget FY 2011-12 (12/1/11)	Executive Budget FY 2012-13	Change From FY 11-12 to FY 12-13	Percent Change From FY 11-12 to FY 12-13
State General Fund (SGF)	\$0	\$4,991,326	\$5,196,781	\$205,455	4.12%
Interagency Transfers (IAT)	\$16,193,234	\$14,800,814	\$15,919,259	\$1,118,445	7.56%
Fees & Self-gen Rev (SGR)	\$69,610	\$345,875	\$345,875	\$0	0%
Statutory Dedications (SD)	\$32,434,869	\$33,740,182	\$28,660,639	-\$5,079,543	-15.05%
Interim Emergency Board	\$0	\$0	\$0	\$0	0%
Federal Funds (FED)	\$43,657,862	\$149,182,010	\$148,107,099	-\$1,074,911	-0.72%
TOTAL MOF	\$92,355,575	\$203,060,207	\$198,229,653	-\$4,830,554	-2.38%
Authorized Positions	380	380	367	-13	-3.42%



Major Agency Permitting Activities 5 year Historical Trends





Significant Budget Changes – Statewide

- (\$2,270,672)** Decreased funding for State Employee Retirement Rate Adjustment (-\$1,086,154 IAT, -\$1,184,518 SD).
- (\$1,268,331)** Annualization of FY 11-12 mid-year reduction plan and 7 positions and related funding (-\$158,111 SGF, -\$1,110,220 SD).
- (\$850,075)** Non-recurred funding for the FY 11-12 27th Pay Period (-\$313,289 IAT, -\$536,786 SD).
- (\$811,222)** Attrition and Salary Base Adjustment (-\$151,000 IAT, -\$660,222 SD).
- \$250,264** Provides funding for Risk Management Premiums funding for Rent in state-owned buildings (\$54,764 IAT, \$195,500 SD).



Significant Agency Budget Changes – Increases

\$2,615,000 IAT Provides funding in the Office of Conservation to fund the ground water monitoring program.

\$200,000 Fed Provides Federal funding in the Office of Coastal Management for special projects; funded through the National Oceanic & Atmospheric Administration.



Significant Agency Budget Changes – Reductions

(\$1,541,532)

Reduced funding in the Office of the Secretary due to the elimination of two (2) vacant positions and related funding, and a reduction in Federal funds in the Technology Assessment Division (-\$266,621 SGF, -\$1,274,911 Fed).

(\$359,216) SGF

Reduced funding in the Office of Mineral Resources for data support contracts.

(\$249,127) SGF

Reduced funding in the Office of Conservation due to the elimination of four (4) positions and related funding.



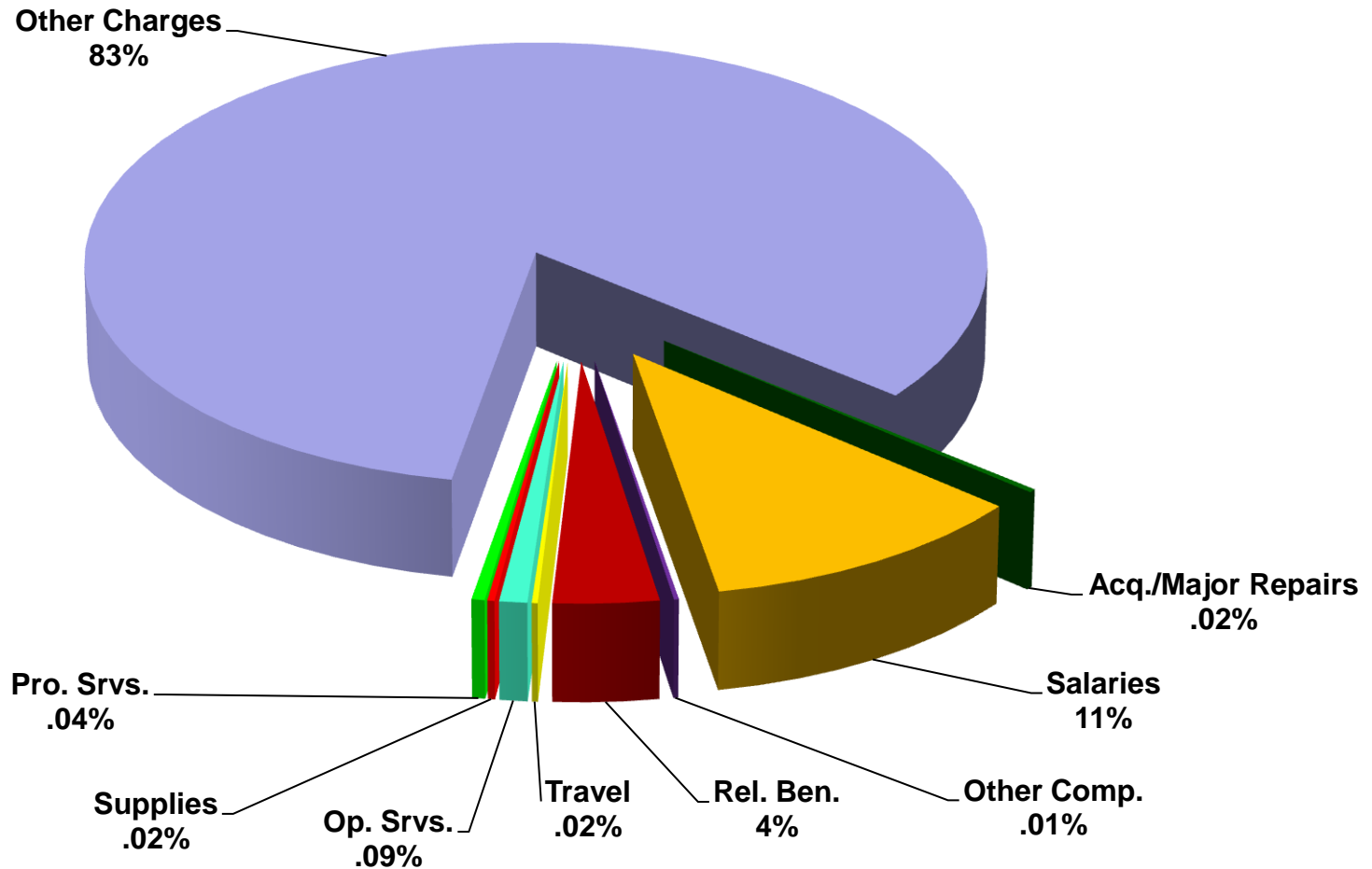
Significant Budget Changes – MOF Substitutions

- ★ **\$2,858,712 SGF** **The Office of the Mineral Resources, provides State General Fund, to replace Statutory Dedication funding to operationally support the activity.**

- \$1,096,265 SD** **The Office of Conservation, provides Statutory Dedication to replace State General Fund in the as a means to maximize the Oil and Gas Regulatory Fund.**



DEPARTMENT OF NATURAL RESOURCES FY 12-13 TOTAL EXPENDITURES \$198.2 MILLION





FY 12-13 Executive Budget by Expenditure Line Item

Expenditures	FY 10-11 Actual Expenditure	FY 11-12 Existing Operating Budget (12/1/11)	FY 12-13 Executive Budget	Change from FY 11-12 to FY 12-13	Percent Change
Salaries	\$22,924,857	\$23,904,572	\$22,083,215	-\$1,821,357	-7.62%
Other Compensation	\$296,944	\$322,961	\$322,961	\$0	0%
Related Benefits	\$8,792,942	\$10,145,699	\$7,045,571	-\$3,100,128	-30.56%
Travel	\$340,797	\$465,737	\$395,450	-\$70,287	-15.09%
Operating Services	\$1,746,184	\$1,855,341	\$1,860,078	\$4,737	0.26%
Supplies	\$480,094	\$485,686	\$473,723	-\$11,963	-2.46%
Prof Svcs	\$631,006	\$1,257,571	\$880,231	-\$377,340	-30.01%
Other Charges	\$56,898,575	\$163,959,831	\$164,676,706	\$716,875	0.44%
Acq/Major Repairs	\$244,176	\$579,152	\$491,718	-\$87,434	-15.10%
Unallotted	\$0	\$83,657	\$0	-\$83,657	-100%
TOTAL EXP	\$92,355,575	\$203,060,207	\$198,229,653	-\$4,830,554	-2.38%





Natural Resources Discretionary and Non-Discretionary Funding in FY 12-13 Executive Budget

Discretionary	\$193,502,514	97.62%
Non-Discretionary	\$4,727,139	2.38%
Total	\$198,229,653	100%

Non-Discretionary funding within Natural Resource's FY 12-13 Executive Budget Recommendation is primarily due to debt service payments and health insurance premiums for retirees.



Statutory Dedications

LOUISIANA DEPARTMENT OF NATURAL RESOURCES Statutory Dedication Comparison					
Statutory Dedications	FY 10-11 Actual Expenditures	FY 11-12 Existing Operating Budget 12/1/11	FY 12-13 Executive Budget	Change FY 11-12 to FY 12-13	Percent Change
Coastal Resources Trust Fund	\$69,772	\$968,544	\$999,295	\$30,751	3.2%
Fisherman's Gear Compensation Fund	\$424,868	\$666,128	\$632,822	-\$33,306	-5%
Mineral and Energy Operations Fund	\$17,939,459	\$14,621,881	\$11,674,768	-\$2,947,113	-20.16%
Oil and Gas Regulatory Fund	\$9,990,926	\$11,664,803	\$9,792,988	-\$1,871,815	-16.05%
Oil Field Site Restoration Fund	\$3,138,732	\$5,217,085	\$4,956,231	-\$260,854	-5%
Oil Spill Contingency Fund	\$844,951	\$167,944	\$175,076	\$7,132	4.2%
Underwater Obstruction Removal Fund	\$26,161	\$433,797	\$429,459	-\$4,338	-1%
Total	\$32,434,869	\$33,740,182	\$28,660,639	-\$5,079,543	-15.1%





Dedications

Mineral and Energy Operation Fund R.S. 30:136.3

This fund is provided to the Department of Natural Resources for administration of the regulation of minerals, ground water and related energy activities within the state of Louisiana.

Any person desiring a permit to conduct geophysical and geological surveys of any kind on state-owned lands, including water bottoms, shall submit an application in writing and submit a fee to the office of mineral resources.

Sources of funding are:

- Deposit of \$1.6 million annually from court awarded judgments associated with royalty income and income derived from issuance of seismic permits on state water bottoms.
- Fees received from exclusive and nonexclusive geophysical and geological surveys conducted on all other state-owned lands and water bottoms.



Dedications

Oil and Gas Regulatory Fund R.S. 30:21(B)(2)

These funds are to be used solely by the Office of Conservation for the regulation of the oil and gas industry and any other industry under the jurisdiction of the office.

Funding is derived from regulatory and application fees from industry operators. Sources of funding are:

- I wells in amount not to exceed \$400,000, and Class II wells and Class III wells, storage wells, Type A facilities and Type B facilities not to exceed \$800,000 in a given fiscal year, with certain restrictions on Class II wells.
- Tiered system on capable oil and gas production not to exceed \$2.4 million.
- Application fees.

Any monies remaining in the fund at the end of the fiscal year remain in the fund, including any interests or earnings.



Dedications

Oilfield Site Restoration Fund R.S. 30:86

This fund provides the Department of Natural Resources the ability to assess and restore certain commercial oilfield waste disposal facilities used for the storage, treatment or disposal of non-hazardous oilfield waste which were abandoned, and where no financially responsible owner is identified.

Source of funding is:

- Fees and penalties on crude petroleum from oil or gas producing wells.
- Public or private contributions, donations or grants.
- Interest earned on the fund.

Until \$10 million is collected at which time fees are suspended until the fund balance reaches \$6 million. This fund generates approximately \$4 million a year.



Louisiana Department of Natural Resources

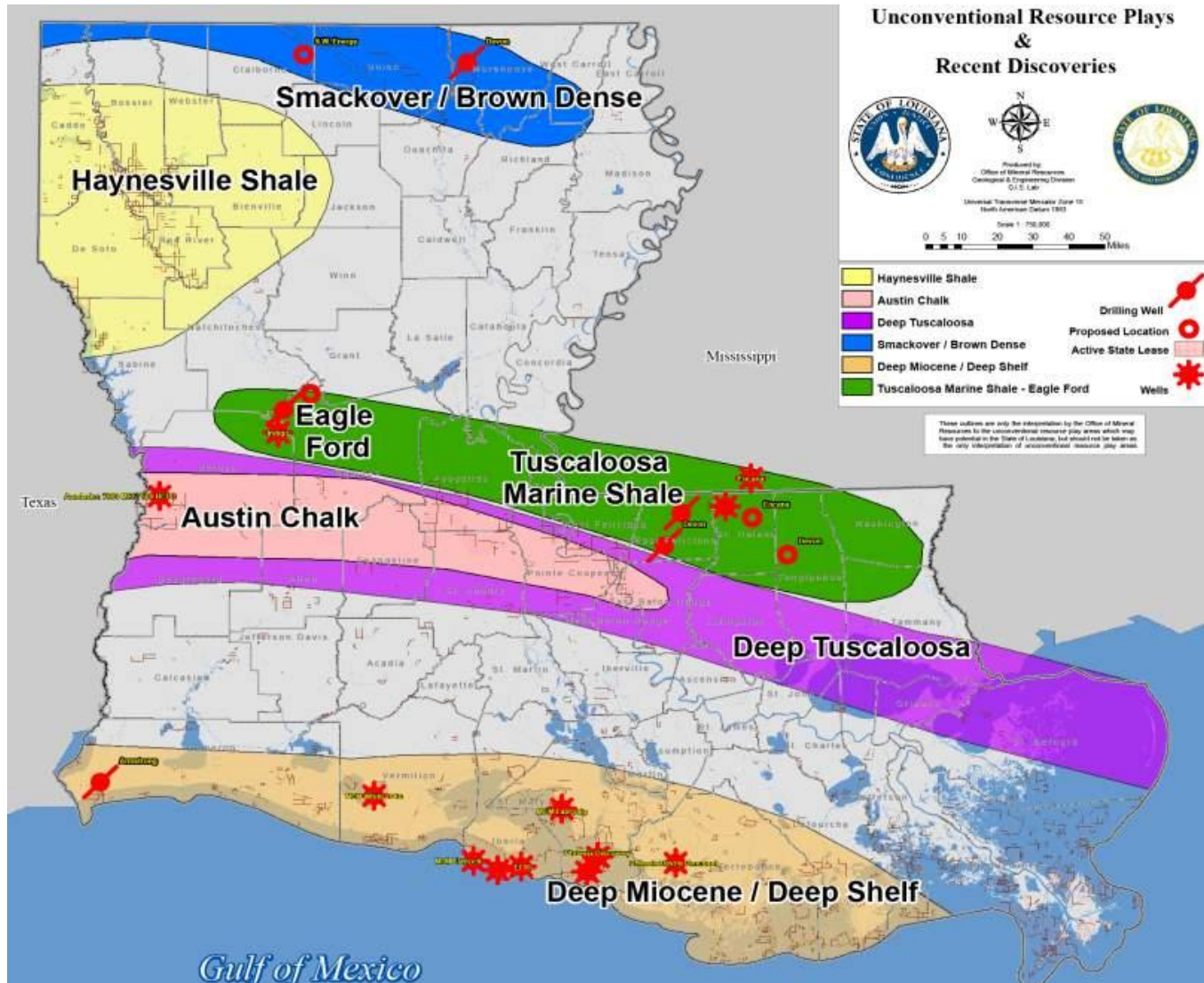
FY 12-13 SALARIES/POSITIONS

- \$22.4 million for Salaries and Other Compensation
- \$7 million for Related Benefits
- Total Personal Services = \$29.4 million, 14.9% of the Department of Natural Resources total Executive Budget Recommendation
- 367 Authorized Positions (357 classified and 10 unclassified)

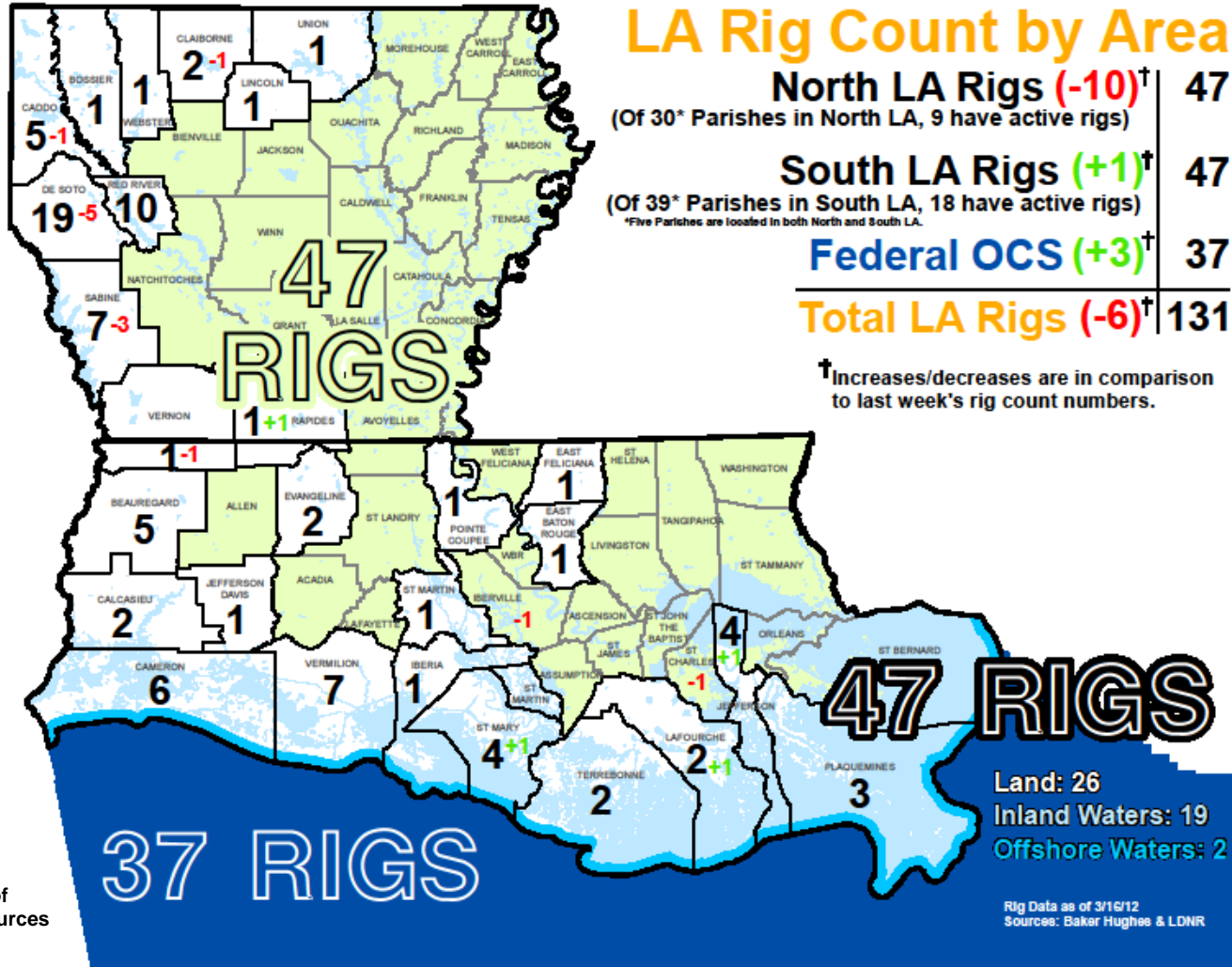
As of 2/15/12

- Average Classified Salary: \$58,765
- Average Unclassified Salary: \$97,925

- Vacancies: 15
- Non-TO: 1



Source:
Louisiana Department
of Natural Resources

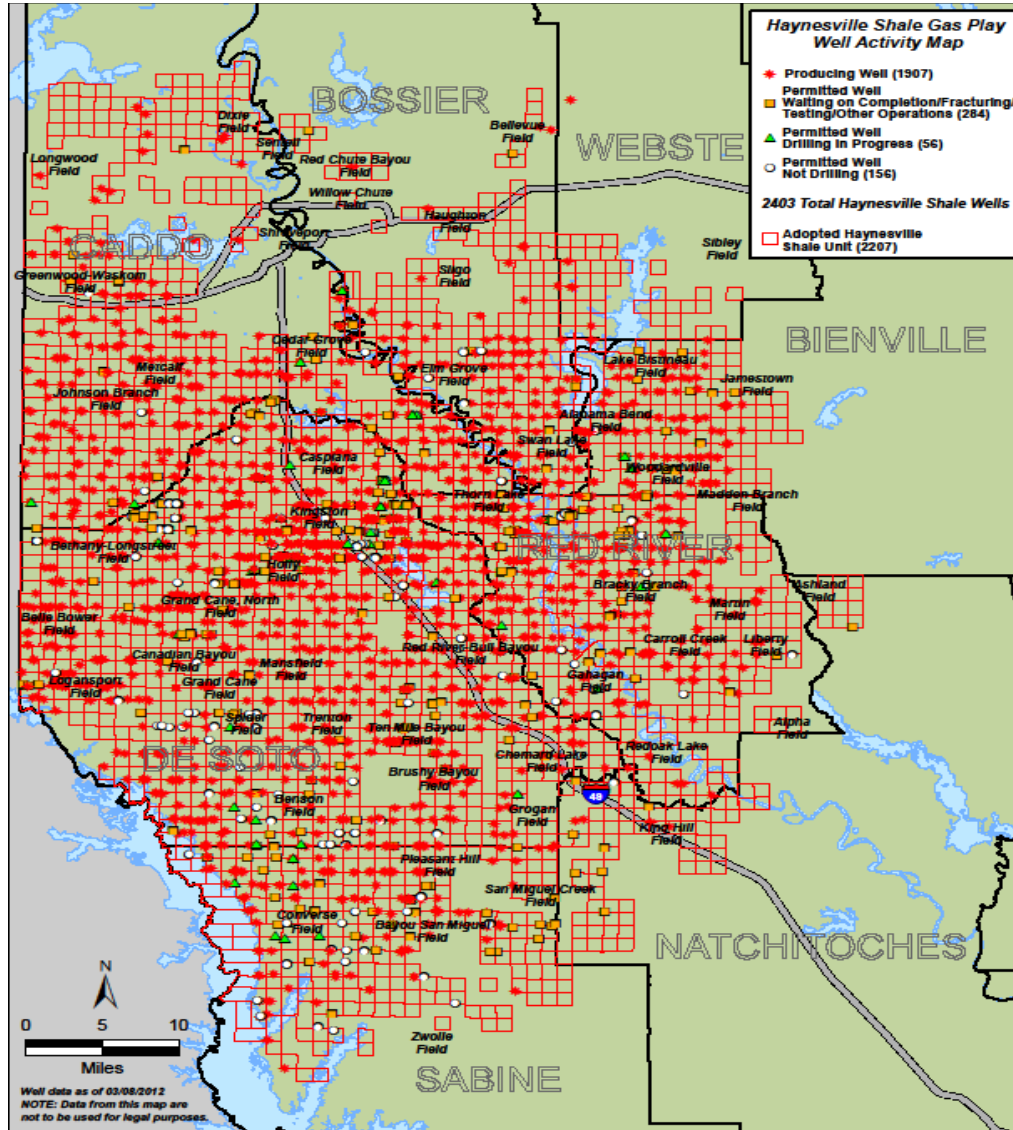


Source:
Louisiana
Department of
Natural Resources
03/19/2012



Haynesville Shale

- Drilling began in 2008 and currently there are 6 parishes with primary areas of drilling:
Bienville, Bossier, Caddo, Desoto, Red River and Sabine
- Louisiana Natural Gas production currently at highest rate in nearly 30 years.
 - Louisiana natural gas production surpassed 2 trillion cubic feet (tcf) in 2010 for the first time since 1984.
- Louisiana natural gas increase primarily driven by Haynesville production – approximately 68% of all natural gas produced.
 - As of March 2012:
1,907 Haynesville Shale wells are producing, 340 more are in the process of being drilled or completed, with a further 156 having been permitted, but not yet begun drilling.



Source:
Louisiana Department of Natural Resources
03/09/2012



Louisiana Department of Natural Resources

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